

DECKER

MANUFACTURING CORPORATION
703 North Clark Street
Albion, Michigan 49224
D-U-N-S 00-531-8720
Phone 517-629-3955
Fax 517-629-3535

RECEIVED
JUN 13 2001

June 7, 2001

SUPERFUND DIVISION
OFFICE OF THE DIRECTOR

Director, Superfund Division, Region 5
U.S. Environmental Protection Agency
77 West Jackson Boulevard
Chicago, IL 60604

US EPA RECORDS CENTER REGION 5



Re: Site/Spill ID #5-AN
DOJ #90-11-2-1109

Dear Director,

Enclosed with this letter is a copy of the Decker Manufacturing Corporation's Annual Report for the year ended 12/31/00. Please reference Site/Spill ID #5-AN and DOJ #90-11-2-1109. This is a requirement per our agreement.

Yours truly,
Decker Manufacturing Corporation

Terrence B. DeWeerd
Secretary-Treasurer

Enc.

Cc: Phil Moilanen

DECKER MANUFACTURING CORPORATION

2000 Annual Report

DECKER

MANUFACTURING CORPORATION



MANUFACTURERS OF INDUSTRIAL FASTENERS & PIPE PLUGS

703 North Clark Street Albion, Michigan 49224

Phone 517-629-3955
Fax 517-629-3535
Sales Fax 517-629-8424
www.deckermut.com

March 3, 2001

To Our Shareholders:

We are pleased to provide you with the annual report for the year ending December 31, 2000. We also encourage you to read the selected financial data and the notes to the consolidated financial statements and if you have any questions please contact us.

The year 2000 started with millennium madness. The big question was Y2K. What will happen at mid-night? Will computer systems recognize a year beginning with "20"? Decker was ready and fortunately no problems arose and we were glad for that. We wish we could say we had another tremendous year, but we can't. It was a disappointing and difficult year for fasteners. We had projected our year 2000 sales to be about the same level as 1999 but it was not to be. We started the year on a low note and never gained the momentum to reach our target. Consequently our revenue of \$20.1 was a drop of 14.3% from 1999. As a result of this large decline in volume, it lowered profits and earnings 32%. Earnings per share fell from \$5.02 to \$3.80.

Over these last 12 months however, we do have something to report of a brighter nature. This has to do with our continuing efforts to explore ways to add to our product line, thus our growth to protect your investment. We are excited and happy to report we are nearing one of those goals. This year we have started a fastener subsidiary that is known as Decker Fasteners, Ltd. This subsidiary will not only purchase and resell fasteners from North America and overseas but will have a secondary operation department. Details of this operation are not complete as of this writing but will be forthcoming to you in an interim report as they become available.

Capital expenditures for 2000 were at about our projected level of \$650,000. The year 2001 is expected to have a capital outlay of \$600,000.

As we look ahead to 2001 we are seeing a very slow start with signs of a very unpredictable economy. It will undoubtedly be a year to keep a watchful eye. We feel the economy is cooling off, not dying and are hoping that the talk of recession doesn't panic the herd. With an anticipated downturn we look for the year 2001 sales to be at about the level of year 2000 or slightly below. This will all be dictated of course by our economy. It needs to restart by mid-year.

In conclusion, we will have many challenges placed before us this year. However, we have the personnel in place and we are prepared to meet any adverse condition and we are committed to protecting your investment. Diversification of products and markets is our long-term strategy. Decker is well known in the industry and has the established reputation for quality fasteners, which will enable the company to take advantage of new products and markets. We are well positioned in the market and our growth will be possible because of our dedicated employees, our loyal customers and supply base. Our goal is to continue to grow the business and build greater shareholder value in the years to come.

DECKER MANUFACTURING CORP.

A handwritten signature in black ink, appearing to read 'H R Konkle'.

Henry R. Konkle
Chairman of the Board

DECKER MANUFACTURING CORP.

A handwritten signature in black ink, appearing to read 'Bernard L Konkle'.

Bernard L. Konkle
President and Chief Executive Officer

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES
COMPARATIVE BALANCE SHEETS

	ASSETS	
	2000	1999
Cash and Cash Equivalents	1,121,959	888,705
Investments	9,727,404	10,159,835
Accounts Receivable	2,449,316	2,977,786
Inventories	4,802,152	5,108,223
Property, Plant and Equipment-Net	3,268,750	3,131,643
Other Assets	1,709,754	1,452,499
	<u>23,079,335</u>	<u>23,718,691</u>
	LIABILITIES & NET WORTH	
Current - Ordinary	2,079,532	2,731,086
Long -Term Liabilities	352,064	384,226
Capital Stock	633,958	633,958
Capital Surplus & Retained Earnings	20,013,781	19,969,421
	<u>23,079,335</u>	<u>23,718,691</u>

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES
COMPARATIVE OPERATIONS STATEMENT

	2000	1999	Increase (Decrease)
Sales	20,333,532	23,267,517	(2,933,985)
Returns and Allowances	196,017	248,291	(52,274)
Net Sales	20,137,515	23,019,226	(2,881,711)
Cost of Sales	14,216,679	16,035,953	(1,819,274)
Gross Profit on Operations	5,920,836	6,983,273	(1,062,437)
Selling, General and Administrative	3,064,434	2,763,606	300,828
Income on Operations	2,856,402	4,219,667	(1,363,265)
Other Income	592,075	525,330	66,745
Other Deductions	60,378	31,864	28,514
Net Income (Before			
Federal Income Taxes)	3,388,099	4,713,133	(1,325,034)
Federal Income Taxes	1,055,072	1,495,120	(440,048)
Net Income before Extraordinary Item	2,333,027	3,218,013	(884,986)
Extraordinary Environmental Recovery (Expense) - Net of			
Federal Income Tax (Recovery) of 39,286 and (17,144)	76,260	(33,281)	109,541
Net Income	2,409,287	3,184,732	(775,445)
Other Comprehensive Income (Loss)-Net of Federal			
Income Tax (Recovery) of 39,025 and (76,778)	75,812	(149,039)	224,851
Comprehensive Income	2,485,099	3,035,693	(550,594)

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES

The Year in Brief

	2000	1999
Sales and Other Income	20,729,590	23,544,556
Net Income	2,409,287	3,184,732
Net Income per Share	3.80	5.02
Net Income to Sales	11.96%	13.84%
Cash Dividends Paid per Share	3.85	3.80
Depreciation and Amortization	593,974	581,378
Capital Expenditures	689,916	439,570
Working Capital	17,571,506	17,670,576

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES

SALES FOR CALENDAR YEARS 1991 - 2000

The following statistics represent the growth of your company
within the last ten years.

YEAR	NET SALES & OTHER INCOME
1991	16,154,443
1992	17,828,349
1993	19,967,790
1994	21,456,668
1995	22,199,941
1996	22,073,725
1997	23,215,158
1998	23,833,446
1999	23,544,556
2000	20,759,590

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES

10 YEAR FINANCIAL INFORMATION

Income

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
NET SALES AND OTHER INCOME	20,729,590	23,544,556	23,833,446	23,215,158	22,073,725	22,199,941	21,456,668	19,967,790	17,828,349	16,154,443
COSTS										
Wages and Employees Benefits	6,105,302	6,642,007	6,354,641	6,115,113	5,925,257	5,939,363	5,807,739	5,182,342	4,837,916	4,486,907
Materials, Services and Other Costs	10,066,493	11,151,281	11,513,136	11,663,642	11,224,948	11,202,968	11,205,282	10,299,551	9,483,048	8,316,440
Depreciation	593,974	581,378	606,916	626,526	622,202	635,586	711,239	771,831	744,354	743,081
State and Local Taxes	460,176	490,038	500,397	475,479	440,118	445,272	423,238	454,928	375,122	370,776
Federal Income Taxes	1,094,358	1,495,120	1,616,155	1,485,545	1,208,061	1,262,117	1,052,261	1,014,021	782,884	658,429
Total Costs	<u>18,320,303</u>	<u>20,359,824</u>	<u>20,591,245</u>	<u>20,366,305</u>	<u>19,420,586</u>	<u>19,485,306</u>	<u>19,199,759</u>	<u>17,722,673</u>	<u>16,223,324</u>	<u>14,575,633</u>
NET INCOME	2,409,287	3,184,732	3,242,201	2,848,853	2,653,139	2,714,635	2,256,909	2,245,117	1,605,025	1,578,810
CASH DIVIDENDS	2,440,739	2,409,040	2,282,249	2,155,457	1,996,968	1,838,478	1,711,687	1,553,197	1,426,406	1,363,010
REINVESTMENT IN THE BUSINESS	<u>(31,452)</u>	<u>775,692</u>	<u>959,952</u>	<u>693,396</u>	<u>656,171</u>	<u>876,157</u>	<u>545,222</u>	<u>691,920</u>	<u>178,619</u>	<u>215,800</u>

Plant Additions

Regular Capital Expenditures	<u>689,916</u>	<u>439,570</u>	<u>756,442</u>	<u>503,514</u>	<u>487,875</u>	<u>510,828</u>	<u>392,057</u>	<u>519,944</u>	<u>1,654,582</u>	<u>770,991</u>
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Financial Position

Current Assets	19,651,038	20,401,662	19,523,587	18,710,722	17,087,434	16,161,066	15,445,267	14,232,580	12,851,409	12,985,002
Current Liabilities	2,079,532	2,731,086	2,643,584	2,650,182	1,878,576	1,737,051	2,046,681	1,752,915	1,378,581	1,407,496
Net Working Capital	<u>17,571,506</u>	<u>17,670,576</u>	<u>16,880,003</u>	<u>16,060,540</u>	<u>15,208,858</u>	<u>14,424,015</u>	<u>13,398,586</u>	<u>12,479,665</u>	<u>11,472,828</u>	<u>11,577,506</u>
Property, Plant and Equipment - Net	3,268,750	3,131,643	3,336,880	3,174,248	3,263,858	3,401,157	3,516,970	3,838,179	4,090,266	3,784,998
Other Assets and Liabilities - Net	(192,517)	(198,840)	(240,157)	(261,585)	(240,910)	(234,028)	(200,569)	(148,079)	(170,477)	(148,506)
Stockholders' Equity	<u>20,647,739</u>	<u>20,603,379</u>	<u>19,976,726</u>	<u>18,973,203</u>	<u>18,231,806</u>	<u>17,591,144</u>	<u>16,714,987</u>	<u>16,169,765</u>	<u>15,392,617</u>	<u>15,213,998</u>

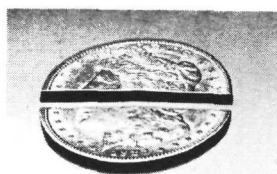
Statistics - Common Stock

Calendar Year Income per Share	3.80	5.02	5.11	4.49	4.19	4.28	3.56	3.54	2.53	2.49
Calendar Year Dividends per Share in Cash.	3.85	3.80	3.60	3.40	3.15	2.90	2.70	2.45	2.25	2.15
Calendar Year Book Value per Share	32.57	32.49	31.51	29.93	28.76	27.75	26.37	25.51	24.28	24.00

Ratios

Current Assets to Current Liabilities	9.44 to 1	7.47 to 1	7.38 to 1	7.06 to 1	9.10 to 1	9.30 to 1	7.55 to 1	8.12 to 1	9.32 to 1	9.23 to 1
Net Income to Net Sales and Other Income.	11.62%	13.53%	13.60%	12.27%	12.02%	12.23%	10.52%	11.24%	9.03%	9.77%

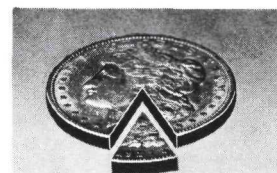
DECKER MANUFACTURING CORPORATION AND SUBSIDIARY
HOW EACH SALES DOLLAR WAS SPENT
(For the Year 2000 Compared with 1999)



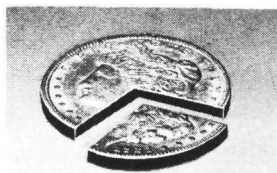
31.2¢ — 2000
32.7¢ — 1999

**MATERIALS PURCHASED
 FOR MANUFACTURING
 OPERATIONS**

**OTHER MANUFACTURING
 EXPENSES**



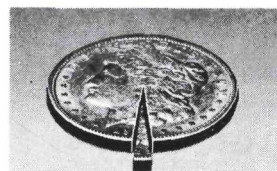
13.2¢ — 2000
12.2¢ — 1999



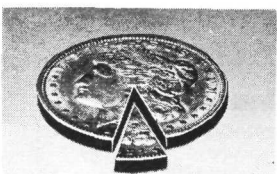
29.9¢ — 2000
28.2¢ — 1999

**WAGES
 AND OTHER BENEFITS
 FOR EMPLOYEES**

**SELLING, GENERAL AND
 ADMINISTRATIVE
 EXPENSES**



7.3¢ — 2000
5.1¢ — 1999



7.5¢ — 2000
8.0¢ — 1999

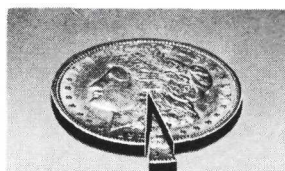
**FEDERAL, STATE AND
 CITY TAXES**

**DIVIDENDS PAID
 TO STOCKHOLDERS**



11.8¢ — 2000
10.2¢ — 1999

**RETAINED BY THE COMPANY
 FOR EXPANSION**



(.9¢) — 2000
3.6¢ — 1999



Decker Manufacturing Corporation

**Manufacturers of
Industrial Fasteners
and Pipe Plugs**

**703 N. Clark St.
Albion, Michigan 49224
Phone (517) 629-3955
Fax (517) 629-3535
Sales Fax (517) 629-8424
www.deckernut.com**

*Write or call for a free copy of our
Precision Cold Formed Nut Catalog
or our Pipe Plug Catalog.*

- Established in 1927, Decker Manufacturing Corporation has been on the cutting edge for industrial fasteners and pipe plugs.
- ISO/QS 9000 certified.
- A2LA/FQA laboratory accredited.
- Auto Cad engineering design and innovation.
- Advanced Formax manufacturing capabilities.
- Modern packaging and bar code labeling capabilities.
- Just-In-Time deliveries.
- Decker, your competitive edge for your fastener requirements.

COLD FORMED NUTS

- Hex Nuts: Finished, Jam and Heavy
- Weld Nuts: Hex, Square and Round
- Wheel Nuts
- Lock Nuts
- Structural Nuts: Culvert, Guardrail and Tower
- Special American and Metric Nuts



PIPE PLUGS & SPECIALS

- Pipe Plugs and Drain Plugs
 - Hex Socket and Square Socket
 - Hex Head and Square Hex
- Hex Head Flanged Drain Plugs
- Special Drain and Pipe Plugs
- Solid Rivets and Pins
- Spacers

DECKER MANUFACTURING CORPORATION

OFFICERS

Henry R. Konkle	<i>Chairman</i>
Bernard L. Konkle I	<i>President and Chief Executive Officer</i>
Steven M. Konkle	<i>Vice-President</i>
Bernard L. Konkle II	<i>Vice-President</i>
Terrence B. DeWeerd	<i>Secretary and Treasurer</i>

BOARD OF DIRECTORS

Terrence B. DeWeerd	<i>Secretary and Treasurer</i> Decker Manufacturing Corp.
Bernard L. Konkle I	<i>President and Chief Executive Officer</i> Decker Manufacturing Corp.
Bernard L. Konkle II	<i>Vice-President</i> Decker Manufacturing Corp.
Henry R. Konkle	<i>Chairman</i> Decker Manufacturing Corp.
Steven M. Konkle	<i>Vice-President</i> Decker Manufacturing Corp.
Christopher L. Miller	<i>Chairman and C.E.O.</i> Miller Brothers Manufacturing Co.
Philip M. Moilanen	Philip M. Moilanen, P.C.

TRANSFER AGENT

American Stock Transfer & Trust Company
New York, New York

FOOTE AND LLOYD
Certified Public Accountants
Battle Creek, Michigan

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors
Decker Manufacturing Corporation

We have audited the accompanying Consolidated Balance Sheet of Decker Manufacturing Corporation and Subsidiaries as of December 31, 2000, and the related Income Statement, Statement of Changes In Equity, and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Decker Manufacturing Corporation and Subsidiaries as of December 31, 2000, and the results of their operations, the changes in their equity, and their cash flows for the year then ended in conformity with generally accepted accounting principles.

FOOTE AND LLOYD
CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
February 13, 2001

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES

(A Michigan Corporation)
BALANCE SHEET AS OF DECEMBER 31, 2000

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	1,121,959	
Accounts Receivable - Trade (net)	2,449,316	
Certificates of Deposit	2,739,423	
Marketable Securities	6,974,077	
Interest and Dividends Receivable	98,064	
Inventory	4,802,152	
Other Receivables	123,904	
Prepaid Pension Costs	944,940	
Prepaid Federal Income Tax	323,115	
Prepaid Expenses and Deposits	74,088	
TOTAL CURRENT ASSETS		19,651,038
PROPERTY, PLANT AND EQUIPMENT, at cost		
Land and Buildings	1,714,340	
Machinery and Equipment	15,516,550	
Transportation Equipment	321,098	
Computer Equipment & Software	325,357	
Office Equipment and Fixtures	290,011	
Capital Leases	46,838	
Construction in Progress	55,663	
Total Costs	18,269,857	
Less: Accumulated Depreciation	15,001,107	
NET BOOK VALUE		3,268,750
INVESTMENTS AND OTHER ASSETS		
Long-term Non-Marketable Security	13,904	
Key Man Life Insurance - Cash Surrender Value	145,643	159,547
TOTAL ASSETS		<u>23,079,335</u>

LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	434,744	
Accrued Payroll and Commissions	363,868	
Accrued Dividends	729,052	
Accrued Payroll Taxes	91,379	
Accrued Property Taxes	155,452	
Accrued Franchise Tax	29,664	
Deferred Income Tax	269,704	
Current Portion of Long Term Liabilities	5,669	
TOTAL CURRENT LIABILITIES		2,079,532
LONG TERM LIABILITIES		
Capital Leases Payable	9,127	
Less: Current Portion	5,669	
NET LONG-TERM LIABILITIES		3,458
DEFERRED INCOME TAX		348,606
TOTAL LIABILITIES		<u>2,431,596</u>
STOCKHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized 2,000,000 shares of Common Stock		
@ \$1.00 Par Issued and Outstanding 633,958 shares	633,958	
CAPITAL SURPLUS	180,000	
RETAINED EARNINGS	19,830,945	
ACCUMULATED OTHER		
COMPREHENSIVE INCOME	2,836	
TOTAL STOCKHOLDERS' EQUITY		20,647,739
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>23,079,335</u>

The Notes to Financial Statements are an integral part of these statements.

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
For Year Ended December 31, 2000

NET SALES	20,137,515
COST OF PRODUCTS SOLD	<u>14,216,679</u>
GROSS PROFIT	5,920,836
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,064,434</u>
OPERATING INCOME	2,856,402
OTHER INCOME	592,075
OTHER EXPENSES	<u>60,378</u>
NET INCOME BEFORE FEDERAL INCOME TAX	3,388,099
LESS: FEDERAL INCOME TAX	<u>1,055,072</u>
NET INCOME BEFORE EXTRAORDINARY ITEM	2,333,027
EXTRAORDINARY ENVIRONMENTAL EXPENSE RECOVERY - Net of Federal Income Tax of \$39,286	<u>76,260</u>
NET INCOME FOR THE YEAR	2,409,287
OTHER COMPREHENSIVE INCOME - Net of Federal Income Tax of \$39,055	<u>75,812</u>
COMPREHENSIVE INCOME	<u><u>2,485,099</u></u>

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For Year Ended December 31, 2000

	Total	Retained Earnings	Accumulated Other Comprehensive Income-Unrealized Gains (Losses) on Investments	Capital Stock	Capital Surplus
BALANCE December 31, 1999	20,603,379	19,862,397	(72,976)	633,958	180,000
ADDITIONS					
Comprehensive Income					
Net Income	2,409,287	2,409,287			
Other Comprehensive Income					
Unrealized Gain on Marketable Securities	114,867				
Less Federal Income Tax on Other Comprehensive Income ...	<u>(39,055)</u>				
Net Other Comprehensive Income	<u>75,812</u>		75,812		
Total Comprehensive Income ...	2,485,099				
DEDUCTIONS					
Dividends declared	<u>2,440,739</u>	<u>(2,440,739)</u>			
Net Increase (Decrease)	<u>44,360</u>	<u>(31,452)</u>	<u>75,812</u>		
Balance, December 31, 2000	<u><u>20,647,739</u></u>	<u><u>19,830,945</u></u>	<u><u>2,836</u></u>	<u><u>633,958</u></u>	<u><u>180,000</u></u>

The Notes to Financial Statements are an integral part of these statements.

DECKER MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	2,409,287	
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities		
Depreciation of Fixed Assets	593,974	
Amortization of Premiums and Discounts on Certificates of Deposits and Marketable Securities	(20,450)	
Gain on Sale of Non-Marketable Securities	(6,213)	
Gain on Sale of Equipment	(5,504)	
Decrease in Accounts Receivable - Trade		
Net Allowance for Doubtful Accounts	528,470	
Decrease in Interest & Dividends Receivable	5,362	
Decrease in Inventory	306,071	
Increase in Other Receivables	(120,443)	
Increase in Prepaid Pension Costs	(92,928)	
Increase in Prepaid Federal Income Tax	(169,341)	
Decrease in Prepaid Expenses & Deposits	80,352	
Increase in CSV of Key Man Life Insurance	(10,257)	
Decrease in Accounts Payable	(12,857)	
Decrease in Accrued Expenses	(141,633)	
Decrease in Unclaimed Dividends	(582)	
Decrease in Environmental Liabilities	(50,000)	
Increase in Deferred Income Tax		
Related to Net Income	28,757	
Net Cash Provided by (Used in) Operating Activities	<u>3,322,065</u>	

CASH FLOWS FROM INVESTING ACTIVITIES

Excess of Purchases over Sales of Certificates of Deposit	(113,895)	
Excess of Sales Over Purchases of Marketable Securities	695,547	
Redemption of Non-Marketable Securities	42,309	
Acquisitions of Fixed Assets	(745,577)	
Sale of Fixed Assets	20,000	
Net Cash Provided by (Used in) Investing Activities	<u>(101,616)</u>	

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in Note Payable	(500,000)	
Payments on Capital Leases	(14,758)	
Payments of Dividends on Capital Stock	(2,472,437)	
Net Cash Provided by (Used in) Financing Activities	<u>(2,987,195)</u>	
Net Increase in Cash	233,254	

CASH and CASH EQUIVALENTS, December 31, 1999

888,705

CASH and CASH EQUIVALENTS, December 31, 2000

1,121,959

SUPPLEMENTAL DISCLOSURES

Interest Paid	2,054
Federal Income Tax Paid	1,246,226

The Notes to Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Decker Manufacturing Corporation is a Michigan corporation located in Albion, Michigan, which is engaged in the manufacturing of cold-headed industrial fasteners and pipe plugs. Approximately two-thirds of its product is sold to a customer base which is either directly or indirectly engaged in the manufacturing of automobiles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Principles of Consolidation The consolidated financial statements include the accounts of Decker Manufacturing Corporation and its wholly-owned subsidiaries, CDC Associates, Inc. and Decker Fasteners, Ltd. All intercompany accounts and transactions have been eliminated in consolidation.
- b. Cash and Cash Equivalents Cash and Cash Equivalents includes cash on hand, bank accounts and money market mutual funds.
- c. Marketable Securities All marketable securities are classified as available for sale, to reflect the company's investment policy. As such, investments are stated at fair market value. Premiums and discounts are amortized from the date of purchase to the date of maturity or earliest call date.
- d. Inventory Inventory values are stated at the lower of cost or market and the method used conforms to the Uniform Capitalization Rules required by Section 263 (a) of the Internal Revenue Code. All materials are valued using the last-in, first-out (LIFO) method. Other components of inventory, including labor and factory overhead, are valued under the first-in, first-out (FIFO) method.
- e. Fixed Assets and Depreciation Fixed assets including items subject to capital leases, are carried at cost. Expenditures for replacements are capitalized and the replaced items are retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of fixed assets are included in income. Depreciation is calculated using straight-line and declining-balance methods over the estimated useful lives of the respective assets, ranging from 4 to 40 years, beginning at the date placed in service.
- f. Pension Plans Pension expense and related assets and liabilities for defined benefit plans are based on Net Periodic Pension Cost, computed in accordance with Statement of Financial Accounting Standards No. 87.
- g. Income Taxes Federal Income Tax expense consists of the actual tax on the corporation's taxable income for the year, plus or minus deferred taxes, based on the estimated future tax effects of differences between financial income and taxable income, in accordance with Statement of Financial Accounting Standards No. 109.
- h. Estimates Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

3. MARKETABLE SECURITIES

Marketable securities at December 31, 2000, consist of the following:

	Fair Market Value	Amortized Cost	Unrealized Gain
State & Local Government Obligations	6,974,077	6,969,780	4,297

Proceeds from sales and redemptions in 2000 totaled \$1,600,000. There was no gain or loss resulting from the dispositions.

The State and Local government obligations have various maturity dates, spread over the next six years.

4. INVENTORY

The Company's inventory as of December 31, 2000, consists of the following:

Raw Materials	2,312,631
Work In Process	589,376
Finished Goods	1,900,145
	<u>4,802,152</u>

5. CAPITAL LEASES

As of December 31, 2000, the company is obligated under two capital leases for items of office and computer equipment. The items have been capitalized and are being amortized over the terms of the leases.

Amortization for 2000 was \$10,040, which is included in Depreciation Expense.

Minimum future lease payments are as follows:

Year	Payment
2001	6,095
2002	3,603
Total	<u>9,698</u>
Less: Imputed Interest	571
Present Value of Net Minimum Lease Payments	<u>9,127</u>

6. RETIREMENT PLANS

The company sponsors two defined-benefit pension plans, covering substantially all hourly and salaried employees. Benefits under the hourly plan are based on years of service. Under the salaried plan, benefits are based on five-year average compensation and years of service. The company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Plan assets are invested by an insurance company. Following is a summary of plan information for the year:

Change in Benefit Obligation-

Benefit Obligation at the Beginning of Year	3,745,355
Service Cost	148,274
Interest Cost	251,909
Actuarial Gains (Losses)	(202,718)
Benefits and Expenses Paid	(86,646)
Benefit Obligation at End of Year	<u>3,856,174</u>

Change in Plan Assets-

Fair Value of Plan Assets at Beginning of Year	4,353,368
Actual Return on Plan Assets	276,305
Employer's Contributions	121,594
Benefits and Expenses Paid	(86,646)
Fair Value of Plan Assets at End of Year	<u>4,664,621</u>

Reconciliation of Funded Status with Amounts Reported in Financial Statements-

Funded Status (see below)	808,447
Unrecognized Asset and Actuarial (Gains) and Losses	104,212
Unrecognized Prior Service Cost	126,399
Unrecognized Portion of January 1, 1987 Net Assets	<u>(94,118)</u>

Prepaid Pension Costs

944,940

Detail of Funded Status-

	Hourly Plan	Salaried Plan	Total
Benefit Obligation	1,535,021	2,321,153	3,856,174
Fair Value of Plan Assets	2,461,208	2,203,413	4,664,621
Excess of Plan Assets Over (Under) Benefit Obligation	<u>926,187</u>	<u>(117,740)</u>	<u>808,447</u>

Weighted Average Assumptions-

Discount Rate	7.20%
Expected Return on Plan Assets	8.00%
Rate of Compensation Increase (in plans where applicable)	5.00%

Components of Net Periodic Pension Cost-

Service Cost	148,274
Interest Cost	251,909
Expected Return on Plan Assets	(352,408)
Amortization of Prior Service Cost	12,569
Amortization of January 1, 1987 Net Asset	<u>(31,678)</u>
Net Periodic Pension Cost	<u>28,666</u>

The company also sponsors two 401(k) Defined Contribution Retirement Plans, covering approximately 70% of hourly employees and substantially all salaried employees. The plans allow for elective deferral of compensation, with a percentage of the deferrals being matched by the employer. Contributions for the year are as follows:

Employee Compensation Deferral	264,983
Employer's Matching Contributions	<u>98,129</u>
Total Contributions	<u>363,112</u>

The company does not provide any other post-retirement benefits. Retirees are allowed to continue participation in the group health plans, but at their own expense.

7. INCOME TAXES

Federal Income Tax Expense for the year consists of, and is reported as, the following:

	Actual Income Tax	Increase in Deferred Tax	Net Federal Income Tax Expense
Continuing Operations	1,043,315	11,757	1,055,072
Extraordinary Item	22,286	17,000	39,286
Other Comprehensive Income	0	39,055	39,055
Total	<u>1,065,601</u>	<u>67,812</u>	<u>1,133,413</u>

The significant temporary differences between taxable income and comprehensive financial income are:

1) the use of shorter depreciable lives on fixed assets for tax purposes; 2) the accrual of vacation pay for financial purposes; 3) differences in recognizing investment income including gains and losses; 4) differences in recognizing pension expense; 5) differences in recognizing bad debt expense and 6) differences in recognizing environmental liabilities. Permanent differences consist primarily of income from tax-exempt securities and transactions related to life insurance on key employees.

8. WORKERS' COMPENSATION INSURANCE

The company is in the second year of a two-year contract with Cambridge Integrated Services Group as administrator for workers' compensation self-insurance. All valid claims up to \$300,000 per claim are paid by the company and are expensed when paid, and reinsurance is carried for all excess claims up to and including \$3,000,000.

9. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Cash and Cash Equivalents and Certificates of Deposit at December 31, 2000, included \$930,803 in excess of Federal Deposit Insurance limits at one bank. Credit risk for Accounts Receivable-Trade is concentrated as well, due to the large percentage of customers within one industry.

10. EXTRAORDINARY ENVIRONMENTAL EXPENSE AND CONTINGENT LIABILITY

On October 11, 1995, the U.S. Environmental Protection Agency issued a Unilateral Administrative Order against Decker Manufacturing Corporation, and other entities. The order pertains to the disposal of substances at the Albion/Sheridan Township Landfill between 1966 and 1981. Any person who used the landfill is potentially responsible for the closure and cleanup of the site.

In late 1997, the EPA filed suit against the City of Albion in the U.S. District Court, Western District of Michigan. Since then, other entities became parties to the suit, including Decker. The litigation was settled and the settlement terms were approved by the Court. As one of the Terms of the Settlement Decker agreed to pay over a 30 year period a one-half share of the expense of performing the "operation and maintenance" of the remedial action work which was performed by Cooper Industries, Inc. and Corning, Incorporated. Decker also paid certain sums in cash for past and future expenses of the United States.

The above payments and activities, along with any related legal and environmental consultant expenses, resolve Decker's foreseen potential liability for the landfill, except for any claims by the State of Michigan for reimbursement of its expenses, and in the event that a groundwater contingent remedy becomes necessary. If tests and other data in the future indicate a continuing hazard in the groundwater, the EPA reserves the right to take further action, which could include a claim against the City, Cooper, Corning and Decker, and perhaps others. Whether such further action will be needed is not known. The settlement did not determine who is responsible to treat the groundwater if that becomes necessary in the future.

It is the opinion of management that the amounts coming due under the Consent Decree in 2001 and subsequent years will not be material and can be paid in the ordinary course of business.

Insurance coverage is available to pay for at least a portion of Decker's cost. Payment has been received for some of the defense costs incurred to date. Additional payments to cover most of the costs of defending the matter are expected. In addition, insurance coverage is also expected to indemnify Decker for at least a portion of the costs of complying with the Consent Decree. The amount which will be indemnified has not yet been determined. The amounts that have been received from insurers, or which they have agreed to pay, have been recorded in the statements, net of additional costs incurred during the year.

11. OTHER CONTINGENT LIABILITY

On September 28, 2000, Decker Manufacturing Corporation and three of its employees were made parties to litigation which alleges that the employees provided to Decker confidential information which, it was alleged, belongs to their former employer. The plaintiff seeks damages, attorney fees and injunctive relief. Decker and the employees have denied the allegations of wrongdoing. In an effort to help resolve the matter, the parties agreed to a preliminary injunction that provides a method to avoid the transfer or use of any potential confidential information. A trial on the merits of the case is expected during 2001. Due to the existence of disputes over questions of fact and law, no reasonable evaluation or estimate of the probable outcome of the matter can be determined at this time.

Insurance coverage may be available to pay at least a portion of the cost of defending the litigation, and may also provide indemnification for a portion of any damages.

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